



## Potash Corporation of Saskatchewan Inc.: Does This Stock Deserve to Be in Your Portfolio?

### Description

**Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) is up 20% over the past four months, and investors are wondering if the trend has legs.

Let's take a look at the beaten-up fertilizer producer to see if it might be attractive today.

### Agrium deal

Potash Corp. is in the process of merging with **Agrium Inc.** (TSX:AGU)(NYSE:AGU) in a deal that will create a crop nutrients giant with a global reach in both the wholesale and retail segments.

The combined operations will provide Potash Corp.'s investors with a more balanced revenue stream, as the retail division that comes with Agrium should help offset the more volatile wholesale business.

Potash Corp. says the tie-up should deliver annual synergies of about US\$500 million. The two companies expect the process to be completed in the middle of 2017.

### Improving market conditions?

The global fertilizer market remains under pressure, but there are indications a bottom might be in place.

Potash Corp. reported Q4 2016 earnings of US\$0.07 per share and full-year 2016 earnings of US\$0.40 per share. That's down from US\$1.52 per share in 2015.

The company says 2017 earnings should come in at US\$0.35-0.55 per share, so it looks like fertilizer markets might be stabilizing.

Investors have to be careful, though, as Potash Corp. had to lower its guidance several times in the past two years.

Global potash demand should be strong in 2017, coming in at 61-64 million tonnes, driven by rising purchases from China, India, and record demand in parts of the Americas.

Looking beyond the medium term, overall crop-nutrient demand is expected to grow as farmers struggle to meet rising food needs.

### **Positioned for growth**

Potash Corp. has completed a multi-year capital program that saw the company invest billions in modern facilities. This means the business should be positioned well for better days in the market, and investors don't have to worry about huge capital investments eating up important cash flow in the coming years.

### **Is it time to buy?**

Potash Corp. is a low-cost producer, and the merger with Agrium will create a global giant with significant clout. The broader crop nutrients markets could be bottoming out right now, so contrarian investors with a buy-and-hold strategy might want to start nibbling. Once the Agrium deal is complete, I think the stock will drift higher.

### **CATEGORY**

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### **Date**

2025/08/02

### **Date Created**

2017/02/15

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